



RESEARCH REPORT

Catalog number	98001
Date:	November 5, 1997
Subject:	Equipment Services Competitive Analysis Feasibility
To:	Sandi Wilson, Chief Resource Officer
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Issue

The Board of Supervisors approved the competitive analysis of Equipment Services during the FY 1997-98 budget process, with the intention of improving the quality of service while also generating cost savings. Issues have surfaced regarding the timing of competitively bidding Equipment Services during the current fiscal year, or postponing the competitive analysis process until FY 1998-99.

Background

"Fleet management" refers to the administration and supervision of a fleet of vehicles and equipment used in performing public service functions. Maricopa County has an existing fleet of 1,925 vehicles and equipment. These vehicles include everything from electric golf carts, police vehicles, and minivans, to heavy on-road and off-road vehicles and equipment such as dump trucks, slurry seal trucks, water trucks, street sweepers, etc. The FY 1997-98 Equipment Services budget of \$8.5 million includes all fleet maintenance and repair, on-site and off-site, along with the administration of the County motorpool and seventeen (17) fuel sites.

Materials Management, in conjunction with the Office of Management and Budget (OMB), interviewed several major nationwide fleet management firms, as well as Maricopa County Equipment Services management personnel, in order to become familiar with industry standards and the cost to provide services locally vs. nationwide. A scope of services for the Request For Proposal (RFP) document has been developed.

One vendor interviewed, Ryder MLS, performed an analysis of the overall cost to maintain our fleet, operate all fuel sites and the County motor pool. Ryder MLS estimates the cost to provide these services to be \$4,396,932. A cursory estimate of savings through outsourcing of \$1.2 million was estimated by OMB. Equipment Services estimates savings at \$25,366 before adding contract monitoring costs. Their information is compared to OMB's original analysis on Attachment A. The department

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has also recently hired an Equipment Services department manager effective November 17, 1997, to fill the vacancy which occurred on September 9, 1997.

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Discussion

The Allegheny Institute for Public Policy recently published a report titled "Fleet Management In Allegheny County: The Case For Privatization" dated May, 1997. A copy of the report is provided on Attachment B. In summary, below are the key findings of the report:

Savings generated through competitive bidding include:

COMPETITIVE ANALYSIS RESULTS					
	<u>FLEET SIZE</u>	<u>CONTRACTED OR INTERNAL</u>	<u>ANNUAL BUDGET</u>	<u>ANNUAL SAVINGS</u>	<u>ANNUAL % SAVINGS</u>
LOS ANGELES COUNTY	6,500	CONTRACTED	\$ 14,000,000	\$1,000,000	7.14%
INDIANAPOLIS	2,800	INTERNAL	\$ 11,100,000	\$2,066,667	18.62%
MARICOPA COUNTY	1,925		\$ 8,563,824		
DES MOINES, IOWA	1,600	CONTRACTED	\$ 2,000,000	\$ 400,000	20.00% Fleet Maintenance Only
CITY OF PITTSBURGH	1,500	CONTRACTED	\$ 5,000,000	\$1,000,000	20.00%
SAN MATEO, CALIFORNIA	1,500	CONTRACTED	\$ 1,100,000	\$ 220,000	20.00% Fleet Maintenance Only

- 1) Nationwide, over 50 cities and counties outsourced the management and maintenance of vehicle fleets.
- 2) The average cost savings through competitive bidding fleet management is 30% to 40%. This includes additional savings through gainsharing and one time savings in parts inventories not reflected in the analysis above.
- 3) Competitively bidding fleet management has led to greater cost savings and service quality when the internal department is awarded the bid. In Indianapolis, the union submitted a bid and won. Service quality improved so much that the department is servicing customers outside of city government. Public-sector job cuts came almost entirely from middle management.

A more in-depth analysis of Equipment Services FY 1997-98 budgeted expenditures has resulted in similar estimated savings of \$1.2 million or 14.27% of total Equipment Service's budget excluding Stationary Generators. The financial data contained in the table "Equipment Services Funding Estimates" provides a zero based budget which accounts for all services. The only way to determine the most efficient and effective means of providing fleet management is through competitive bidding. Any analysis performed, including the one contained in this report, is an estimate based upon assumptions which may or may not hold true in a bidding situation.

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Equipment Services Funding Estimates

<u>Expenditure</u>	<u>\$ Budgeted</u>
Downtown Motor Pool Replacement	385,167
Central Cost Allocation	412,721
New Fuel System	150,000
Fuel Cost	1,818,353
Air Quality Permits & UST Fees	3,605
All Preventive Maint Salaries & Benefits	343,989
Building Repair & Maintenance	10,000
Utilities	52,600
Depreciation	4,083
Tax & Assessments	750
Books/Publications/Subscriptions	2,000
Printing/Binding/Duplicating	791
Other Publications	500
Memberships/Certifications/Licenses	6,900
Transportation/Shipping	2,750
Tire Services On Site Personal Svcs	34,196
Tire Services Off Site Personal Svcs	45,527
Risk Management	24,990
Building R & M Supplies	2,500
Flora-Daniels DTI Madison Site	20,000
Education & Training	29,750
Contracted Sublet Work	290,029
Parts Including \$552k TTB	1,886,091
Fuel Delivery	25,000
Cochise Repairs/Testing Fuel System	56,000
Technology Equipment R & M	35,000
Parts Room 2 fte's Personal Svcs	64,610
Administrative Salaries & Benefits 3 fte's	173,646
Temporary Help O/S	56,000
Outside Tire Contract	53,129
General Supplies	47,800
Other Personal Svcs Except Admin & Get Ready	1,183,369
IF Charges	8,000
Bonds & Refinancing	49,000
TOTAL ESTIMATED FUNDING	\$ 7,278,846
 FY 1997-98 EQUIPMENT SERVICES BUDGET	 8,563,824
STANDBY GENERATORS	73,829
ADJUSTED FY 1997-98 BUDGET	8,489,995

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ESTIMATED ANNUAL SAVINGS

\$ 1,211,149

Conclusion

Actual cost savings and improved quality of service can only be derived through the competitive bidding process. The key findings from governmental fleet services privatizations and OMB financial analysis is that substantial savings may be garnered through outsourcing. County taxpayers also derive direct benefits from fleet savings. The General Fund accounts for approximately 40% of fleet services dollars, of which the Sheriff's Office represents 60%.

The hiring of a seasoned Equipment Services Manager will enhance the department's ability to compete. A manager would be able to apply a new paradigm through the competitive bidding process.

Recommendation

It is the recommendation of this office that Maricopa County go forward with the competitive analysis of Equipment Services this fiscal year as approved by the Board of Supervisors during budget adoption. Issues concerning cost savings and the hiring of a new manager only add to the opportunities available to Maricopa County at this time.